

**TOWNSHIP OF SOUTH BRANCH  
CRAWFORD COUNTY, MICHIGAN  
AUDITED FINANCIAL STATEMENTS  
MARCH 31, 2004**

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>South Branch Township</b>	County <b>Crawford</b>
Audit Date <b>3/31/04</b>	Opinion Date <b>7/28/04</b>	Date Accountant Report Submitted to State: <b>7/22/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

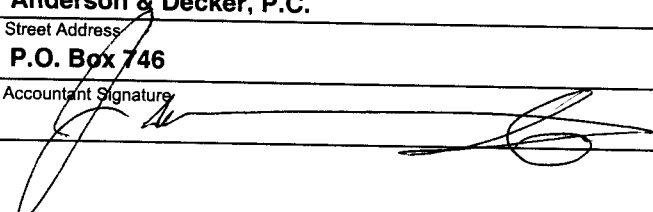
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

## We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Anderson &amp; Decker, P.C.</b>			
Street Address <b>P.O. Box 746</b>		City <b>Roscommon</b>	State <b>MI</b>
Accountant Signature 		ZIP <b>48653</b>	Date <b>9/22/04</b>

**TOWNSHIP OFFICIALS**

Supervisor

Joe Myers

Clerk

Laura Smith

Treasurer

Suzanne Luck

**TRUSTEES**

Paul Musselman

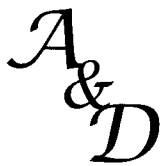
Bernice McGillis

# TOWNSHIP OF SOUTH BRANCH

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# Anderson & Decker, P.C.

**CERTIFIED PUBLIC ACCOUNTANTS**

245 Lake Street • P.O. Box 746 • Roscommon, MI 48653  
(989) 275-8831

## INDEPENDENT AUDITORS' REPORT

July 28, 2004

Township Board  
South Branch Township  
Crawford County, Michigan

We have audited the general purpose financial statements of the Township of South Branch, County of Crawford as of and for the year ended March 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Township of South Branch, County of Crawford, at March 31, 2004, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated July 28, 2004, on our consideration of South Branch Township's internal control over financial reporting and our test of its compliance with certain provision of laws, regulations, contracts, and grants.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining financial statements and individual fund statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the combined financial statements of the Township of South Branch, County of Crawford. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

  
ANDERSON & DECKER, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

TOWNSHIP OF SOUTH BRANCH  
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
MARCH 31, 2004

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
<b>ASSETS</b>		
Cash and investments	\$ 442,316	\$ 451,877
Taxes receivable	21,804	36,435
Due from other Governmental Units	-0-	4,148
Accounts receivable	-0-	11,818
Due from other funds	-0-	9,000
Amount to be provided for retirement of long term debt	-0-	-0-
Property, plant and equipment	-0-	-0-
Total Assets	<u>\$ 464,120</u>	<u>\$ 513,278</u>
<b>LIABILITIES AND FUND EQUITY</b>		
Liabilities:		
Accounts payable	\$ 7,909	\$ 3,676
Due to other funds	9,000	-0-
Note payable	-0-	-0-
Undistributed collections	-0-	-0-
Total Liabilities	<u>16,909</u>	<u>3,676</u>
Fund Equity:		
Investment in general fixed assets	-0-	-0-
Fund balance - Undesignated	<u>447,211</u>	<u>509,602</u>
Total Fund Equity	<u>447,211</u>	<u>509,602</u>
Total Liabilities and Fund Equity	<u>\$ 464,120</u>	<u>\$ 513,278</u>

See Accompanying Notes to Financial Statements

Fiduciary Fund Type	Account Groups		Total (Memorandum (Only))
Agency	General Fixed Assets	General Long-Term Debt	
\$ 9,133	\$ -0-	\$ -0-	\$ 903,326
-0-	-0-	-0-	58,239
-0-	-0-	-0-	4,148
-0-	-0-	-0-	11,818
-0-	-0-	-0-	9,000
-0-	-0-	111,921	111,921
-0-	1,336,402	-0-	1,336,402
<u>\$ 9,133</u>	<u>\$ 1,336,402</u>	<u>\$ 111,921</u>	<u>\$ 2,434,854</u>
\$ -0-	\$ -0-	\$ -0-	\$ 11,585
-0-	-0-	-0-	9,000
-0-	-0-	111,921	111,921
9,133	-0-	-0-	9,133
9,133	-0-	111,921	141,639
-0-	1,336,402	-0-	1,336,402
-0-	-0-	-0-	956,813
-0-	1,336,402	-0-	2,293,215
<u>\$ 9,133</u>	<u>\$ 1,336,402</u>	<u>\$ 111,921</u>	<u>\$ 2,434,854</u>

TOWNSHIP OF SOUTH BRANCH  
COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
FUND BALANCE - ALL GOVERNMENTAL FUND TYPES  
YEAR ENDED MARCH 31, 2004

	General	Special Revenue	Totals (Memorandum) Projects
Revenues:			
Taxes and assessments	\$ 120,812	\$ 344,644	\$ 465,456
Intergovernmental	143,905	1,855	145,760
Charges for services	9,616	22,505	32,121
Licenses and permits	180	-0-	180
Interest	7,738	6,021	13,759
Other	<u>6,562</u>	<u>20,915</u>	<u>27,477</u>
Total Revenues	<u>288,813</u>	<u>395,940</u>	<u>684,753</u>
Expenditures:			
General government	168,032	-0-	168,032
Fire	-0-	338,085	338,085
Law enforcement	-0-	792	792
Ambulance	-0-	49,421	49,421
Sanitation	-0-	115,410	115,410
Road projects	-0-	650	650
Cemetery	-0-	19,609	19,609
Fringe Benefits	42,615	-0-	42,615
Street Lights	1,646	-0-	1,646
Debt service:			
Principal	-0-	28,079	28,079
Interest and fees	<u>-0-</u>	<u>3,421</u>	<u>3,421</u>
Total Expenditures	<u>212,293</u>	<u>555,467</u>	<u>767,760</u>
Excess:			
Revenue over (under) expenditures	<u>76,520</u>	<u>(159,527)</u>	<u>(83,007)</u>
Other financing sources (uses):			
Loan proceeds	-0-	140,000	140,000
Operating transfers in	-0-	20,210	20,210
Operating transfers (out)	<u>(20,210)</u>	<u>-0-</u>	<u>(20,210)</u>
Total Other Financing Sources (Uses)	<u>(20,210)</u>	<u>160,210</u>	<u>140,000</u>
Excess:			
Revenue and other financing sources over (under) expenditures and other Uses	56,310	683	56,993
Fund Balance - April 1	<u>390,901</u>	<u>508,919</u>	<u>899,820</u>
Fund Balance - March 31	<u>\$ 447,211</u>	<u>\$ 509,602</u>	<u>\$ 956,813</u>

See accompanying notes to financial statements



TOWNSHIP OF SOUTH BRANCH  
COMBINED STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS  
YEAR ENDED MARCH 31, 2004

		General Fund		Variance
		Budget	Actual	Favorable (Unfavorable)
Revenues:				
	Taxes and assessments	\$ 114,990	\$ 120,812	\$ 5,822
	Intergovernmental	115,926	143,905	27,979
	Charges for services	11,300	9,616	(1,684)
	Licenses and permits	-0-	180	180
	Interest	2,000	7,738	5,738
	Other	5,000	6,562	1,562
	Total Revenues	249,216	288,813	39,597
Expenditures:				
	General government	190,207	168,032	22,175
	Fire	-0-	-0-	-0-
	Law enforcement	-0-	-0-	-0-
	Ambulance	-0-	-0-	-0-
	Sanitation	-0-	-0-	-0-
	Road projects	-0-	-0-	-0-
	Cemetery	-0-	-0-	-0-
	Fringe benefits	-0-	-0-	-0-
	Street lights	46,166	42,615	3,551
	Debt service	2,000	1,646	354
		-0-	-0-	-0-
	Total Expenditures	238,373	212,293	26,080
Excess:				
	Revenue over (under) expenditures	10,843	76,520	65,677
Other financing sources (uses):				
	Loan proceeds	-0-	-0-	-0-
	Operating transfers in	-0-	-0-	-0-
	Operating transfers out	-0-	(20,210)	(20,210)
	Total Other Financing Sources (Uses)	-0-	(20,210)	(20,210)
Excess:				
	Revenue and other financing sources over (under) expenditures and other uses	10,843	56,310	45,467
Fund Balance - April 1		390,901	390,901	-0-
Fund Balance - March 31		\$ 401,744	\$ 447,211	\$ 45,467

See Accompanying Notes to Financial Statements

Special Revenue Funds		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 328,964	\$ 344,644	\$ 15,680
1,551	1,855	304
22,700	22,505	(195)
-0-	-0-	-0-
4,350	6,021	1,671
2,600	20,915	18,315
<u>360,165</u>	<u>395,940</u>	<u>35,775</u>
-0-	-0-	-0-
359,500	338,085	21,415
800	792	8
71,105	49,421	21,684
114,100	115,410	(1,310)
425	650	(225)
14,600	19,609	(5,009)
-0-	-0-	-0-
-0-	-0-	-0-
31,500	31,500	-0-
<u>592,030</u>	<u>555,467</u>	<u>36,563</u>
<u>(231,865)</u>	<u>(159,527)</u>	<u>72,338</u>
140,000	140,000	-0-
100,200	20,210	(79,990)
-0-	-0-	-0-
<u>240,200</u>	<u>160,210</u>	<u>(79,990)</u>
8,335	683	(7,652)
<u>508,919</u>	<u>508,919</u>	<u>-0-</u>
<u>\$ 517,254</u>	<u>\$ 509,602</u>	<u>\$ (7,652)</u>

Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 443,954	\$ 465,456	\$ 21,502
117,477	145,760	28,283
34,000	32,121	(1,879)
-0-	180	180
6,350	13,759	7,409
7,600	27,477	19,877
<u>609,381</u>	<u>684,753</u>	<u>75,372</u>
190,207	168,032	22,175
359,500	338,085	21,415
800	792	8
71,105	49,421	21,684
114,100	115,410	(1,310)
425	650	(225)
14,600	19,609	(5,009)
46,166	42,615	3,551
2,000	1,646	354
31,500	31,500	-0-
<u>830,403</u>	<u>767,760</u>	<u>62,643</u>
<u>(221,022)</u>	<u>(83,007)</u>	<u>138,015</u>
140,000	140,000	-0-
100,200	20,210	(79,990)
-0-	(20,210)	(20,210)
<u>240,200</u>	<u>140,000</u>	<u>(100,200)</u>
19,178	56,993	37,815
<u>899,820</u>	<u>899,820</u>	<u>-0-</u>
<u>\$ 918,998</u>	<u>\$ 956,813</u>	<u>\$ 37,815</u>

TOWNSHIP OF SOUTH BRANCH  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2004

NOTE A: ENTITY

The Township of South Branch is a general law township of the state of Michigan located in Crawford County, Michigan. It operates under an elected board and provides services to its residents in many areas including liquor law enforcement, community enrichment, and human services. As required by generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement no. 14 "The Financial Reporting Entity", these financial statements present the Township of South Branch (primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of South Branch conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

Fund Accounting - The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into three generic fund types and two account groups, as follows:

GOVERNMENTAL FUNDS

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state grants, interest, and other intergovernmental revenues.

Special Revenue Funds - These funds are used to account for specific governmental revenues (other than special assessments and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

FIDUCIARY FUNDS

Agency - These funds are used to account for assets held in trust or as an agent for others. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

TOWNSHIP OF SOUTH BRANCH  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED MARCH 31, 2004

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

ACCOUNT GROUPS

General Fixed Assets Account Group - This account group presents the fixed assets of the local unit utilized in its general operations (nonproprietary fixed assets).

General Long-Term Debt Account Group - This account group presents the balance of general obligation long-term debt which is not recorded in proprietary funds.

BASIS OF ACCOUNTING - The modified accrual basis of accounting is used by all governmental funds and agency funds. Revenue and other sources are recognized in the accounting period in which they become susceptible to accrual; that is when they become both measurable and available to finance expenditures of the fiscal period. Expenditures are recognized when the related fund liability is incurred. Modifications from the accrual basis are as follows:

a. Property tax revenue are recognized as follows:

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 15 with the final collection date of February 28 before they are added to the county delinquent tax rolls. All taxes levied on December 1, 2003 are recorded as revenue in the current year. Unpaid taxes are recorded as receivables of the respective fund.

- b. Interest on bonded indebtedness and other long-term debt is not recorded as an expenditure until its due date.
- c. Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase.
- d. Normally, expenditures are not divided between years by the recording of prepaid expenses.

The tax rates for the year ended March 31, 2004 are as follows:

<u>Purpose</u>	<u>Rate / Assessed Valuation</u>
General	1.755 mills per \$1,000
Fire	2.5 mills per \$1,000 (real property only)
Ambulance	1.0 mills per \$1,000 (specific parcels only)
Trash	Special Assessment

TOWNSHIP OF SOUTH BRANCH  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED MARCH 31, 2004

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGETS - Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the Township for budgetary funds were adopted on a fund level. Budgets are normally formulated during January and February of each year and a budget hearing is held in March. The board normally adopts the budget just prior to April 1. Amendments are made to the budgets when determined to be necessary throughout the year. Unused appropriations for budgeted activities lapse at the end of the year. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

PROPERTY AND EQUIPMENT - Property and equipment are stated at cost, or donated, fair market value. Expenditures which materially extend the useful life of existing properties or equipment are capitalized. Certain governmental improvements, including roads, bridges and drains are not capitalized. General fixed assets are recorded as expenditures at the time of purchase.

NOTE C - CASH AND INVESTMENTS

The balance sheet accounts and types of cash items are presented below:

<u>Balance Sheet Accounts</u>	<u>Amount</u>	<u>Cash Items</u>	<u>Amount</u>
Cash and investments	\$ 903,326	Petty Cash	\$ 368
		Checking and Savings Account	902,958
Total	<u>\$ 903,326</u>	Total	<u>\$ 903,326</u>

Deposits - At year-end, the carrying amount of the Township's deposits was \$903,326 and the bank balance was \$913,094. According to Section 330.8 of the Federal Deposit Insurance Corporation Rules and Regulations, 14% of the total bank balance was covered by federal depository insurance.

The Government Accounting Standards Board Statement No. 3 risk disclosures for South Branch Township's cash deposits are as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 117,930	\$ 128,099
Uninsured and Uncollateralized	785,396	784,995
Total Deposits	<u>\$ 903,326</u>	<u>\$ 913,094</u>

TOWNSHIP OF SOUTH BRANCH  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED MARCH 31, 2004

NOTE C - CASH AND INVESTMENTS (CONTINUED)

Investments - P.A. 20 of 1943, authorizes the Township to deposit and invest in the following:

- a. Bonds and other direct obligations of the United States or its agencies.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under section 5 or 6 of act 105, PA 1855, as amended (MCL 21.145 and 21.146).
- c. Commercial paper rated at time of purchase within the two highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase.
- d. United States governmental or Federal agency obligation repurchase agreements.
- e. Bankers' acceptance of United States banks.
- f. Mutual funds composed of investments which are legal for direct investments by local units of government in Michigan.

NOTE D - PROPERTY AND EQUIPMENT

A schedule of changes in general fixed assets is as follows:

	<u>Balance</u> <u>April 1</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>March 31</u>
Land	\$ 4,170	\$ 10,758	\$ -0-	\$ 14,928
Building	542,350	-0-	-0-	542,350
Equipment & Vehicles	<u>516,379</u>	<u>262,745</u>	<u>-0-</u>	<u>779,124</u>
	<u>\$ 1,062,899</u>	<u>\$ 273,503</u>	<u>\$ -0-</u>	<u>\$ 1,336,402</u>

TOWNSHIP OF SOUTH BRANCH  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED MARCH 31, 2004

NOTE E - PENSION PLAN

The Township has a pension plan covering substantially all of its elected and appointed officials and employees. The plan is maintained with the Manufacturers Life Insurance Company. The Township contributes 10% of gross pay for each eligible employee. Total pension expense for the year was \$5,706. The plan provides fully insured pension credits and each year's contributions sufficient to fully fund the benefits earned during the year. Payments to the plan have been used to purchase pension benefits, so there are no separate plan assets.

NOTE F - LONG-TERM DEBT

The following is a summary of the debt outstanding of the Township as of March 31, 2004:

	<u>No. of Issues</u>	<u>Interest Rate %</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
Citizens Banking Corporation	1	4.0%	2008	<u>\$ 111,921</u>

CHANGES IN LONG-TERM DEBT

	<u>Balance April 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2004</u>
General Long-term Debt	<u>\$ -0-</u>	<u>\$ 140,000</u>	<u>\$ 28,079</u>	<u>\$ 111,921</u>

ANNUAL DEBT SERVICE REQUIREMENTS:

<u>Year Ending March 31,</u>	
2005	\$ 31,500
2006	31,500
2007	31,500
2008	<u>25,606</u>
	120,106
Less Interest	<u>(8,185)</u>
Total Principal Outstanding	<u>\$ 111,921</u>

On August 19, 2003, South Branch Township Board signed an installment promissary note with Citizens Banking Corporation in the amount of \$140,000. The proceeds were used to purchase a new fire truck. Annual installments are due by August 19<sup>th</sup> of each year.

TOWNSHIP OF SOUTH BRANCH  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED MARCH 31, 2004

NOTE G - INSURANCE

The Township is exposed to various risks of losses to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Township participates in the Michigan Municipal Liability and Property Pool, as self-insured group. The pool is considered a public entity risk pool. The Township pays annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance. The Township has not been informed of any special assessments being required. There were no significant changes in coverage, nor were there any significant claims for the year. The Township carries commercial insurance for other types of losses including employee health and accident insurance.

NOTE H - TOTALS (MEMORANDUM ONLY) COLUMN

The total column on the combined statements is captioned memorandum only to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to consolidation. Interfund eliminations have not been made in the aggregation of this data.



**SUPPLEMENTARY  
INFORMATION**

TOWNSHIP OF SOUTH BRANCH  
GENERAL FUND  
STATEMENT OF REVENUES, COMPARED TO BUDGET  
YEAR ENDED MARCH 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Taxes and Assessments:			
General property taxes	\$ 114,990	\$ 120,812	\$ 5,822
Total Taxes and Assessments	<u>114,990</u>	<u>120,812</u>	<u>5,822</u>
Intergovernmental:			
State shared revenues	102,926	130,905	27,979
State swamp tax	<u>13,000</u>	<u>13,000</u>	<u>-0-</u>
Total Intergovernmental	<u>115,926</u>	<u>143,905</u>	<u>27,979</u>
Charges for Services:			
Fees	8,800	8,452	(348)
Cemetery lot sales	2,500	1,105	(1,395)
Rent	<u>-0-</u>	<u>59</u>	<u>59</u>
Total Charges for Services	<u>11,300</u>	<u>9,616</u>	<u>(1,684)</u>
Licenses and Permits	<u>-0-</u>	<u>180</u>	<u>180</u>
Interest	<u>2,000</u>	<u>7,738</u>	<u>5,738</u>
Other:			
Reimbursements	<u>5,000</u>	<u>6,562</u>	<u>1,562</u>
Total Other	<u>5,000</u>	<u>6,562</u>	<u>1,562</u>
Total Revenue	<u>\$ 249,216</u>	<u>\$ 288,813</u>	<u>\$ 39,597</u>

TOWNSHIP OF SOUTH BRANCH  
GENERAL FUND  
STATEMENT OF EXPENDITURES, COMPARED TO BUDGET  
YEAR ENDED MARCH 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
General Government			
Township Board:			
Wages	\$	\$ 5,266	\$
Per Diems		230	
Office Supplies		533	
Postage		133	
Contractual Services		6,669	
Professional services		1,883	
Communications		1,807	
Travel		11	
Meals		58	
Education & Training		495	
Printing and publishing		1,738	
Repair & maintenance		13	
Dues & Subscriptions		1,406	
Miscellaneous		550	
Total Township Board	<u>26,382</u>	<u>20,792</u>	<u>5,590</u>
Township Supervisor:			
Wages		11,188	
Postage		9	
Office supplies		275	
Travel		122	
Education & Training		85	
Printing & Publishing		40	
Total Township Supervisor	<u>12,223</u>	<u>11,719</u>	<u>504</u>
Township Assessor:			
Wages		3,093	
Office Supplies		345	
Postage		1,142	
Operating Supplies		430	
Contractual Services		42,357	
Leasing		1,800	
Internet		100	
Legal Services		12,497	
Education & Training		195	
Total Township Assessor	<u>71,594</u>	<u>61,959</u>	<u>9,635</u>

TOWNSHIP OF SOUTH BRANCH  
GENERAL FUND  
STATEMENT OF EXPENDITURES, COMPARED TO BUDGET  
YEAR ENDED MARCH 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
General Government (continued)			
Election Board:			
Contractual services	\$	\$ 259	\$
Postage		22	
Operating supplies		131	
Meals		102	
Total Election Board	<u>1,000</u>	<u>514</u>	<u>486</u>
Township Clerk:			
Wages		23,001	
Office supplies		681	
Postage		51	
Operating supplies		515	
Contractual services		798	
Equipment lease		1,800	
Travel		1,305	
Meals		128	
Education & training		1,370	
Publication & printing		15	
Dues & subscriptions		262	
Fees		50	
Total Township Clerk	<u>31,281</u>	<u>29,976</u>	<u>1,305</u>
Township Treasurer:			
Wages		25,079	
Office supplies		717	
Postage		3,285	
Operating supplies		329	
Contractual services		1,484	
Travel		72	
Education & training		75	
Publications & printing		79	
Repairs & maintenance		19	
Miscellaneous		185	
Total Township Treasurer	<u>32,507</u>	<u>31,324</u>	<u>1,183</u>
Board of Review:			
Wages		1,076	
Postage		7	
Operating supplies		10	
Travel & meals		61	
Education & training		120	
Publication & printing		99	
Total Board of Review	<u>2,000</u>	<u>1,373</u>	<u>627</u>

TOWNSHIP OF SOUTH BRANCH  
GENERAL FUND  
STATEMENT OF EXPENDITURES, COMPARED TO BUDGET  
YEAR ENDED MARCH 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
General Government (continued)			
Township Hall:			
Operating supplies	\$	\$ 244	\$
Contractual services		4,279	
Communications		336	
Heat		3,479	
Electric		1,665	
Repair & maintenance		360	
Total Township Hall	<u>13,220</u>	<u>10,363</u>	<u>2,857</u>
Cemetery:			
Repairs & maintenance		3	
Electric		9	
Total Cemetery	<u>-0-</u>	<u>12</u>	<u>(12)</u>
Total General Government	<u>190,207</u>	<u>168,032</u>	<u>22,175</u>
Street Lights	<u>2,000</u>	<u>1,646</u>	<u>354</u>
Fringe Benefits:			
Blue Cross Blue Shield		26,690	
Social security		5,198	
Michigan unemployment		1,402	
Pension		5,706	
Insurance & Bonds		3,126	
Group Life Insurance		493	
Total Fringe Benefits	<u>46,166</u>	<u>42,615</u>	<u>3,551</u>
Transfers out	<u>-0-</u>	<u>20,210</u>	<u>(20,210)</u>
Total Expenditures	<u>\$ 238,373</u>	<u>\$ 232,503</u>	<u>\$ 5,870</u>

TOWNSHIP OF SOUTH BRANCH  
SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
MARCH 31, 2004

ASSETS	<u>Ambulance</u>	<u>Fire</u>	<u>Liquor</u>
Cash and investments	\$ 98,153	\$ 239,784	\$ 758
Taxes receivable	4,773	15,207	-0-
Due from other			
Governmental units	-0-	-0-	-0-
Accounts receivable	11,818	-0-	-0-
Due from other funds	<u>9,000</u>	<u>-0-</u>	<u>-0-</u>
Total Assets	<u>\$ 123,744</u>	<u>\$ 254,991</u>	<u>\$ 758</u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable	<u>\$ 2,255</u>	<u>\$ 994</u>	<u>\$ 9</u>
Total Liabilities	<u>2,255</u>	<u>994</u>	<u>9</u>
Fund Balance:			
Undesignated	<u>121,489</u>	<u>253,997</u>	<u>749</u>
Total Fund Equity	<u>121,489</u>	<u>253,997</u>	<u>749</u>
Total Liabilities and Fund Equity	<u>\$ 123,744</u>	<u>\$ 254,991</u>	<u>\$ 758</u>

<u>Road</u>	<u>Trash</u>	<u>Cemetery</u>	<u>Totals (Memorandum Only)</u>
\$ 39,792	\$ 69,742	\$ 3,648	\$ 451,877
513	15,942	-0-	36,435
4,148	-0-	-0-	4,148
-0-	-0-	-0-	11,818
-0-	-0-	-0-	9,000
<u>\$ 44,453</u>	<u>\$ 85,684</u>	<u>\$ 3,648</u>	<u>\$ 513,278</u>

\$ -0-	\$ 406	\$ 12	\$ 3,676
-0-	406	12	3,676
<u>44,453</u>	<u>85,278</u>	<u>3,636</u>	<u>509,602</u>
<u>44,453</u>	<u>85,278</u>	<u>3,636</u>	<u>509,602</u>
<u>\$ 44,453</u>	<u>\$ 85,684</u>	<u>\$ 3,648</u>	<u>\$ 513,278</u>

TOWNSHIP OF SOUTH BRANCH  
SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
YEAR ENDED MARCH 31, 2004

	<u>Ambulance</u>	<u>Fire</u>	<u>Liquor</u>
Revenues:			
Taxes	\$ 51,911	\$ 165,110	\$ -0-
State	-0-	-0-	715
Charges for services	19,680	2,500	-0-
Interest	2,073	2,333	-0-
Other	<u>774</u>	<u>548</u>	<u>-0-</u>
Total Revenues	<u>74,438</u>	<u>170,491</u>	<u>715</u>
Expenditures:			
Wages	12,765	26,960	699
Fringe benefits	1,578	2,652	53
Utilities	4,094	4,219	-0-
Office supplies	470	398	-0-
Communication	1,456	1,589	-0-
Training & education	1,764	257	-0-
Insurance	2,516	5,757	-0-
Supplies/repairs/maintenance	11,408	28,338	-0-
Services	9,474	3,766	40
Travel & meals	3,303	1,014	-0-
Miscellaneous	593	390	-0-
Equipment/building	-0-	262,745	-0-
Principal	-0-	28,079	-0-
Interest	<u>-0-</u>	<u>3,421</u>	<u>-0-</u>
Total Expenditures	<u>49,421</u>	<u>369,585</u>	<u>792</u>
Excess:			
Revenues over (under) expenditures	<u>25,017</u>	<u>(199,094)</u>	<u>(77)</u>
Other Financing Sources (Uses):			
Operating transfers in	-0-	-0-	-0-
Loan proceeds	<u>-0-</u>	<u>140,000</u>	<u>-0-</u>
Total Other Financing Sources (Uses)	<u>-0-</u>	<u>140,000</u>	<u>-0-</u>
Excess:			
Revenue and other financing sources over (under) expenditures and other financing uses	25,017	(59,094)	(77)
Fund Balance - April 1	<u>96,472</u>	<u>313,091</u>	<u>826</u>
Fund Balance - March 31	<u>\$ 121,489</u>	<u>\$ 253,997</u>	<u>\$ 749</u>



<u>Road</u>	<u>Trash</u>	<u>Cemetery</u>	<u>Totals (Memorandum Only)</u>
\$ 4,447	\$ 123,176	\$ -0-	\$ 344,644
1,140	-0-	-0-	1,855
-0-	325	-0-	22,505
254	1,332	29	6,021
<u>16,487</u>	<u>100</u>	<u>3,006</u>	<u>20,915</u>
<u>22,328</u>	<u>124,933</u>	<u>3,035</u>	<u>395,940</u>
-0-	25,019	5,820	71,263
-0-	1,914	445	6,642
-0-	1,240	88	9,641
-0-	522	221	1,611
-0-	975	-0-	4,020
-0-	-0-	-0-	2,021
-0-	1,182	220	9,675
650	1,459	1,237	43,092
-0-	83,099	475	96,854
-0-	-0-	-0-	4,317
-0-	-0-	345	1,328
-0-	-0-	10,758	273,503
-0-	-0-	-0-	28,079
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>3,421</u>
<u>650</u>	<u>115,410</u>	<u>19,609</u>	<u>555,467</u>
<u>21,678</u>	<u>9,523</u>	<u>(16,574)</u>	<u>(159,527)</u>
-0-	-0-	20,210	20,210
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>140,000</u>
<u>-0-</u>	<u>-0-</u>	<u>20,210</u>	<u>160,210</u>
21,678	9,523	3,636	683
<u>22,775</u>	<u>75,755</u>	<u>-0-</u>	<u>508,919</u>
<u>\$ 44,453</u>	<u>\$ 85,278</u>	<u>\$ 3,636</u>	<u>\$ 509,602</u>

TOWNSHIP OF SOUTH BRANCH  
CURRENT TAX COLLECTIONS  
BALANCE SHEET  
MARCH 31, 2004

ASSETS

Cash and investments \$ 9,133

Total Assets \$ 9,133

LIABILITIES

Undistributed collections \$ 9,133

Total Liabilities \$ 9,133

TOWNSHIP OF SOUTH BRANCH  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
YEAR ENDED MARCH 31, 2004

	<u>Balance April 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance March 31, 2004</u>
<u>CURRENT TAX COLLECTIONS</u>				
ASSETS				
Cash and investments	\$ 6,242	\$ 2,265,029	\$ 2,262,138	\$ 9,133
Total Assets	<u>\$ 6,242</u>	<u>\$ 2,265,029</u>	<u>\$ 2,262,138</u>	<u>\$ 9,133</u>
LIABILITIES				
Undistributed collections	\$ 6,242	\$ 2,265,029	\$ 2,262,138	\$ 9,133
Total Liabilities	<u>\$ 6,242</u>	<u>\$ 2,265,029</u>	<u>\$ 2,262,138</u>	<u>\$ 9,133</u>



# Anderson & Decker, P.C.

**CERTIFIED PUBLIC ACCOUNTANTS**

245 Lake Street • P.O. Box 746 • Roscommon, MI 48653  
(989) 275-8831

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

July 28, 2004

Township Board  
South Branch Township  
Crawford County, Michigan

Dear Board:

We have audited the general purpose financial statements of South Branch Township for the year ended March 31, 2004, and have issued our report thereon dated July 28, 2004. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether South Branch Township's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Page 2  
Township Board  
South Branch Township  
July 28, 2004

Internal Control Over Financial Reporting

In planning and performing our audit, we considered South Branch Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of South Branch Township in a separate letter dated July 28, 2004.

This report is intended solely for the information of the audit committee, management, and the Township Board and is not intended to be and should not be used by anyone other than these specified parties.

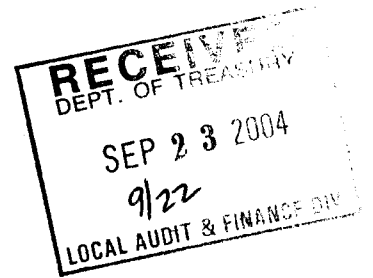


ANDERSON & DECKER, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

**SOUTH BRANCH TOWNSHIP**

**REPORT TO MANAGEMENT**

**MARCH 31, 2004**





# Anderson & Decker, P.C.

**CERTIFIED PUBLIC ACCOUNTANTS**

245 Lake Street • P.O. Box 746 • Roscommon, MI 48653  
(989) 275-8831

July 28, 2004

Township Board  
South Branch Township  
Crawford County, Michigan

In planning and performing our audit of the financial statements of South Branch Township as of and for the year ended March 31, 2004, we considered the Township's accounting, operational, and internal control procedures to determine the nature and extent of our audit testing for the purpose of expressing an opinion on the financial statements of the Township and not to provide assurance on the procedures themselves.

We did however, during the course of our audit, become aware of certain matters that are opportunities for enhancing those procedures or controls. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated July 28, 2004 on the financial statements of South Branch Township.

We have already discussed these comments and suggestions with the Township personnel, and we will be pleased to discuss them in further detail at your convenience, and/or to perform any additional studies of these matters, should you so desire.



ANDERSON & DECKER, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

#### **GASB NO.34**

Governmental Accounting Standards Board Statement Number 34, "Basic Financial Statements, Management's Discussion and Analysis for State and Local Government" is a wide sweeping change in how governments will report their financial information. This new reporting model requires the fixed assets of the Township to be reported and depreciated within the Comprehensive financial statements along with substantial changes in how the departments and funds of the Township would be reported. The implementation of this pronouncement is in three phases. South Branch Township would fall into the third phase, requiring it to start reporting under this pronouncement in the year beginning April 1, 2004. The Township Board should create a committee which would include, but not be limited to, the Clerk and Treasurer to start preparing the Township for the new reporting and record keeping requirements. The Clerk is currently collecting the detail from the predecessor auditors for the totals included in this audit report. This detail will be necessary to create the schedules to prepare the financial statements in accordance with GASB 34.